

FINANCIAL SUMMARY OF THE 2018 MARKET FOR HEALTH INSURANCE^{1,2}

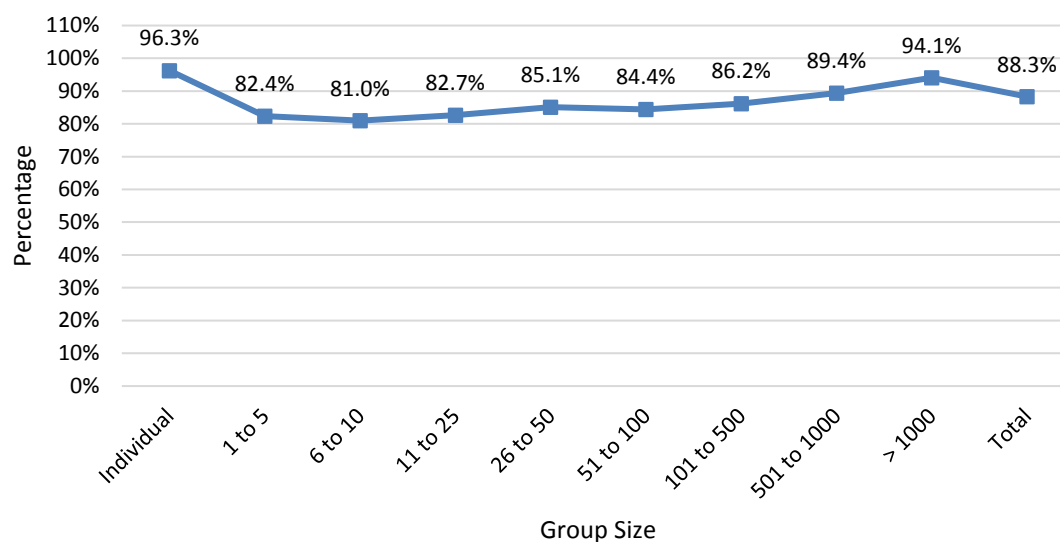
(Commercial Accounts, excluding Medicare and Medicaid business)

- Massachusetts carriers earned \$12 billion in health care premiums and paid \$10.3 billion in health care claims payments to hospitals, doctors, and other providers in 2018. Carriers spent \$1.9 billion in administrative expenses and had a net gain of \$397.5 million in 2018.

Medical Loss Ratios

- The carriers' average weighted Medical Loss Ratio (MLR) was 88.3% in 2018.
- MLRs differed from one carrier to another, as well as by product and by size of the groups in a sub-market. While the average weighted MLR for individual coverage was 96.3% in 2018, the average weighted MLR for most types of small groups ranged from 81.0% to 85.1%. In the large group market, the average weighted MLR ranged from 84.4% to 94.1%.³

2018 Average Weighted Medical Loss Ratios by Group Size



¹ During the preparation of this report, we were provided with, and relied upon, various data and information from the health insurance industry. We did not audit the data or information provided, but reviewed it for reasonableness.

² Reported MLRs reflect an average of the actual MLRs reported by health insurance carriers. Individual carriers have ratios that are higher or lower than the reported average, and some may be subject to mandatory rebates.

³ The Massachusetts statutes for individual/small group health coverage require that carriers meet the following MLR thresholds:

89% for rates effective between 1/1/2014 and 12/31/2014; and

88% for rates effective on and after 1/1/2015.

According to the 2018 annual summary report, carriers reported an average MLR of 88.3% across all their commercial lines of coverage. Separate from the annual report, carriers are required to submit MLR rebate calculation worksheets each year which are used to determine whether carriers are required to rebate premiums from the prior calendar year to individuals and small employers. The review of the actual 2018 experience regarding rebates will be available in September 2019.

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Administrative Expenses

• Carriers' total 2018 administrative expenses were:		% of all Admin Expenses
○ Financial Administrative	\$ 50.8 million	3.7%
○ Marketing and Sales	\$ 180.3 million	13.1%
○ Distribution Expenses	\$ 229.9 million	16.7%
○ Claims Administration	\$ 171.0 million	12.4%
○ Medical Administration	\$ 166.5 million	12.1%
○ Network Operational	\$ 30.5 million	2.2%
○ Charitable Expense	\$ 4.7 million	0.34%
○ Taxes, Assessments & Fines	\$ 211.4 million	15.4%
○ General Administration	\$ 276.9 million	20.2%
○ Miscellaneous Expenses	\$ 3.7 million	0.2%
○ <u>Capital Expenses and Depreciation</u>	<u>\$ 47.9 million</u>	<u>3.4%</u>
Total Administrative Expenses	\$1,373.6 million	100.0%

Massachusetts Division of Insurance
ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS
COVER SHEET



Enter NAIC#

Reporting Year: 2018

Company Name: All Companies

Enter Line of Business from list below: All Lines of Business (Except Medicare, Medicaid, and Commonwealth Care)

- 1 Closed Network Plans
- 2 Preferred Network Plans
- 3 Open Network Plans
- 4 Student Health Insurance Plans
- 5 Medicare Advantage
- 6 Other Medicare
- 7 Commonwealth Care
- 8 Young Adult Plans
- 9 Medicaid (MassHealth)
- 10 Group Insurance Commission (GIC)
- 11 Federal Employee Health Benefit Plans (FEHBP)

	Accumulated Surplus *
Common Stock	80,398,534
Preferred Stock	0
Gross Paid In	3,560,210,009
Contributed Surplus	1,382,375,576
Surplus Notes	305,000,000
Unassigned Funds	16,657,970,558
Other C&S Items	10,796,155
Total Surplus	21,996,750,832

Risk-Based Capital Ratio *

* Total for Company

**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS ENROLLMENT INFORMATION
ENROLLMENT TOTALS**

NAIC#: 0 Reporting Year: 2018
 Company Name: All Companies
 Line of Business: All Lines of Business (Except Medicare, Medicaid, and Commonwealth Care)

Market Group Size	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Group Total
Number of Distinct Employment-Based Groups Covered on December 31st of Reporting Year	7,622	30,969	6,892	10,356	5,457	3,713	3,733	1,162	1,088	70,992
Number of Subscriber Members Covered on December 31st of Reporting Year	269,006	71,157	36,908	70,410	42,265	122,332	198,567	69,585	238,654	1,118,884
Number of Subscriber Member Months Covered in Reporting Year	3,349,454	891,236	460,719	877,288	531,225	1,552,087	2,480,548	849,247	2,842,709	13,834,512
Average Number of Subscriber Members Covered in Reporting Year	279,121	74,270	38,393	73,107	44,269	129,341	206,712	70,771	236,892	1,152,876
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	323,616	124,522	71,558	146,425	86,077	243,975	411,599	151,525	402,187	1,961,484
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	3,857,022	1,483,833	855,225	1,758,266	1,028,711	2,972,924	4,951,659	1,791,790	5,224,168	23,923,598
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	321,419	123,653	71,269	146,522	85,726	247,744	412,638	149,316	435,347	1,993,633

ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS BALANCE SHEET

NAIC#: 0 Reporting Year: 2018
Company Name: All Companies
Line of Business: All Lines of Business (Except Medicare, Medicaid, and Commonwealth Care)

Group	Accumulated Reserves									
Member Size	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Claim Reserves	\$141,140,512.43	\$75,481,553.73	\$105,482,347.92	\$81,992,479.99	\$50,146,261.60	\$169,244,774.48	\$278,042,751.95	\$106,261,946.11	\$248,094,368.75	\$1,255,886,996.98
Premium Reserves	\$20,026,796.65	\$17,314,175.55	\$11,642,566.82	\$23,066,168.72	\$13,936,775.16	\$46,898,800.51	\$81,774,965.54	\$33,578,426.34	\$55,717,339.17	\$303,956,014.45
Contract Reserves	\$23,582,367.04	\$11,542,710.76	\$6,371,989.85	\$11,913,895.63	\$6,754,334.99	\$7,262,677.20	\$11,294,379.98	\$5,922,992.74	\$134,372,223.49	\$219,017,571.69
Total Reserves	\$184,749,676.11	\$104,338,440.04	\$123,496,904.59	\$116,972,544.34	\$70,837,371.75	\$223,406,252.20	\$371,112,097.47	\$145,763,365.20	\$438,183,931.41	\$1,778,860,583.11

	Accumulated Surplus *
Common Stock	80,398,534
Preferred Stock	0
Gross Paid In	3,560,210,009
Contributed Surplus	1,382,375,576
Surplus Notes	305,000,000
Unassigned Funds	16,657,970,558
Other C&S Items	10,796,155
Total Surplus	21,996,750,832

Risk-Based Capital Ratio *

* Total for Company

ANNUAL COMPREHENSIVE FINANCIAL STATEMENT FOR CARRIERS' INSURED HEALTH PLANS

INCOME STATEMENT

NAIC#: 0 **Reporting Year:** 2018
Company Name: All Companies
Line of Business: All Lines of Business (Except Medicare, Medicaid, and Commonwealth Care)

<i>Net Premium Earned</i> 211 CMR 149.06 (2) (b) 1	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	1,516,188,593	828,024,718	463,219,041	931,681,641	534,056,054	1,654,100,588	2,650,392,067	1,006,935,288	2,423,734,784	12,008,332,774

<i>Incurred Claims</i> CMR 149.06 (2) (b) 2	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	1,419,498,984	667,109,919	366,107,307	751,610,713	442,550,025	1,361,829,758	2,226,183,536	875,673,816	2,213,287,386	10,323,851,445

<i>Medical Loss Ratio=(Incurred Claims + Expenses for Improving HealthCare Quality + Deductible</i>	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	96.3%	82.4%	81.0%	82.7%	85.1%	84.4%	86.2%	89.4%	94.1%	88.3%

<i>Investment Gains and Losses</i> CMR 149.06 (2) (b) 4	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Investment Income	10,375,745	5,994,657	3,918,351	7,773,929	4,825,726	13,391,733	20,409,370	7,513,688	15,134,090	89,337,289
Net Realized Capital Gains and Losses	2,882,314	535,424	76,524	137,264	76,778	44,776	(193,889)	(141,778)	(367,847)	3,049,566
Totals	13,258,060	6,530,081	3,994,874	7,911,193	4,902,504	13,436,508	20,215,481	7,371,910	14,766,243	92,386,855

<i>Financial Administration Expenses</i> 211 CMR 149.06 (2) (b) 5	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	7,831,430	5,020,974	2,718,367	5,282,715	3,152,208	6,933,661	8,609,587	3,128,876	8,090,796	50,768,613

<i>Marketing and Sales Expenses</i> CMR 149.06 (2) (b) 6	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Billing & Member Enrollment	16,183,067	3,093,526	975,746	1,934,349	1,182,373	2,329,753	3,573,660	1,242,473	2,353,203	32,868,149
Customer Service & Member Relations	7,112,203	3,334,117	1,869,250	3,637,870	2,182,603	5,084,444	8,373,256	3,025,356	8,992,629	43,611,728
Product Management, Marketing & Sales	9,919,856	8,556,869	5,254,037	10,236,717	6,224,305	13,124,395	20,085,714	6,849,900	12,902,205	93,153,997
Product Development	4,503,017	934,494	284,138	550,049	324,851	933,982	1,432,137	485,224	1,215,401	10,663,293
Marketing and Sales Expenses Totals	37,718,143	15,919,006	8,383,171	16,358,984	9,914,132	21,472,574	33,464,767	11,602,952	25,463,438	180,297,167

Totals	25,758,028	10,271,399	6,825,220	13,968,115	8,878,844	27,130,859	46,752,499	20,497,737	51,269,859	211,352,558
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General Administration 211	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
CMR 149.06 (2) (b) 13										
Payroll Administration Expenses less Payroll Taxes	2,878,141	2,075,298	1,332,982	2,778,841	1,815,823	4,319,421	7,374,100	2,279,426	6,740,594	31,594,624
Payroll Taxes	2,731,720	1,547,541	993,930	1,977,340	1,184,443	2,925,417	4,668,144	1,523,475	4,463,356	22,015,366
Real Estate Expenses	3,549,306	1,766,922	676,970	1,259,726	596,880	1,841,666	2,449,424	604,724	1,882,943	14,628,562
Regulatory Compliance & Government Relations	1,877,033	644,599	274,039	532,028	285,740	914,455	1,309,872	329,327	1,412,809	7,579,903
Board, Bureau or Association Fees	423,393	315,236	133,145	250,186	139,319	386,384	654,410	243,868	790,968	3,336,909
Other Administration	38,584,817	19,324,004	9,815,452	18,873,838	10,864,772	24,775,026	37,671,236	13,181,031	24,644,568	197,734,744
Reimbursement from Uninsured Plans	0	0	0	0	0	0	0	0	0	0
General Administration Totals	50,044,410	25,673,600	13,226,519	25,671,960	14,886,977	35,162,370	54,127,185	18,161,852	39,935,237	276,890,108
# of Employees on Carriers' Payroll on December 31st of Reporting Year	5,088	249	101	188	120	487	627	305	23,735	30,899

Detailed Miscellaneous Expenses 211	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
CMR 149.06 (2) (b) 14										
	24,438	17,407	10,497	29,581	17,206	58,892	79,238	50,878	3,454,156	3,742,294

Capital Expenses & Depreciation 211	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
CMR 149.06 (2) (b) 15										
Depreciation	3,920,276	3,997,528	2,468,875	4,949,900	2,763,857	7,312,292	10,772,506	3,339,388	8,400,929	47,925,551
Capital Acquisitions	0	0	0	0	0	0	0	0	0	0
Capital Costs on behalf of the Hospital or Clinic	0	0	0	0	0	0	0	0	0	0
Other Capital Costs	0	0	0	0	0	0	0	0	0	0
Capital Expenses & Depreciation Totals	3,920,276	3,997,528	2,468,875	4,949,900	2,763,857	7,312,292	10,772,506	3,339,388	8,400,929	47,925,551

Net Income (Net Premiums Earned + Investment Gains & Losses) - (Claims Incurred + Expenses)	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	(76,105,446)	59,284,580	37,001,616	61,321,532	20,170,315	123,388,652	155,028,778	33,273,001	(15,855,799)	397,507,231